

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 11/26/2012

GAIN Report Number: CH11849

China - Peoples Republic of

Post: Guangzhou

Natural Products Expo Asia 2012 Show Report

Report Categories:

Trade Show Evaluation

Fresh Fruit

Market Promotion/Competition

Approved By:

Jorge Sanchez

Prepared By:

May Liu

Report Highlights:

Summary: On August 23-25, 2012, ATO Guangzhou staff attended the 10th Natural Products Expo Asia (NPEA) Show in Hong Kong. This leading international trade event for natural, organic, and healthy products attracted over 9,000 visitors from 57 countries and regions. Over 30 U.S. companies exhibited at the U.S. pavilion. The State of California was represented with top brands such as Reeds Inc, Perfect Gems, and KLG food as well as RobinsonPharma. The natural and organic food and beverage sector has been growing rapidly in recent years. With the increasing concern over the quality and safety of China's agricultural products, consumers in 2nd and 3rd tier cities are willing to pay higher premiums for healthy and safe imported natural products. Many specialty food product retailer shop owners in China's first tier cities (Guangzhou, Shenzhen, Shanghai and Beijing) have begun to include an imported food section displaying natural and functional features. Nutritional food supplements have great potential in this market. However, many companies worry that with the strict implementation of the new Chinese organic labeling, organic sales will largely be impacted if there is strict enforcement.

General Information:

On August 23-25, 2012, ATO Guangzhou staff attended the 10th Natural Products Expo Asia (NPEA) Show in Hong Kong. This leading international trade event for natural, organic, and healthy products attracted over 9,000 visitors from 57 countries and regions. Over 30 U.S. companies exhibited at the U.S. pavilion. The State of California was represented with top brands such as Reeds Inc, Perfect Gems, and KLG food as well as RobinsonPharma. The natural and organic food and beverage sector has been growing rapidly in recent years. With the increasing concern over the quality and safety of China's agricultural products, consumers in 2nd and 3rd tier cities are willing to pay higher premiums for healthy and safe imported natural products. Many specialty food product retailer shop owners in China's first tier cities (Guangzhou, Shenzhen, Shanghai and Beijing) have begun to include an imported food section displaying natural and functional features. Nutritional food supplements have great potential in this market. However, many companies worry that with the strict implementation of the new Chinese organic labeling, organic sales will largely be impacted if there is strict enforcement.

The **NPEA 2012 Show** was an excellent promotional platform for a number of natural products from around the world. With support of the Emerging Market Program's- Distribution Development fund, ATO Guangzhou staff was able to attend this year's show. According to the Show organizer and exhibitors interviewed during the Show, there were over 200 exhibitors showcasing more than 5,000 items including food and beverage, dietary supplements, cosmetic and skin care products, spa machinery and supplies, natural and raw ingredients. Along with the aging populations in Hong Kong and China, a trend in developing economies in North Asia is that as consumers become wealthy, they increasingly also become more health conscious and are willing to pay higher prices for food and beverage items perceived as "healthy". One economist attending the Show cited that the global health and nutrition industry in 2012 reached \$320 billion. The value of imported natural and organic products in China is unknown as many importers do not declare the products as organic for fear that China Customs will increase duties, tariffs and other taxes.

Because natural and organic products are higher priced and many Mainland China consumers are unfamiliar with certain brands or functionality of products, many overseas companies test their products in the Hong Kong market as a first step while they **identify a capable distributor in Shenzhen** to begin Mainland China promotions. With assistance from ATO Hong Kong, ATO Guangzhou seeks out traders interested in penetrating the market by testing the Shenzhen market with amongst the highest consumer incomes in Mainland China, a young vibrant urban middle class economy heavily influenced by Hong Kong trends, and most importantly, the cede to the largest supermarket retail chains in Mainland China: Wal-Mart, Sam's Club, Jusco, CR Vanguard, Lotus, ParknShop, etc.

According to a 2011 television interview of a senior Women's Health China Magazine editor, the Mainland's nutritional product industry is forecast to triple by 2014. Although she did not cite specifics between food and non-food or cosmetic consumers goods, it outlines strong consumer demand that goes beyond women's products.

Some U.S. companies exhibiting at the Show were optimistic about talking to companies with their sights set on the Mainland China market. Though there is no concrete regulation put into implementation, Post believes all imported packaged products will be forced to be certified with

China's organic label soon. For more detailed information about this development please read ATO

Guangzhou GAIN report CH11827. Post suggests that U.S. companies contact ATO Guangzhou prior to attending the 2013 show. ATO Guangzhou can assist U.S. exporters of natural foods in identifying the right partner in Mainland China. ATO Guangzhou is in a good position to advise U.S. exporters on navigating the Mainland China market and in managing new regulations on imported organic products.

While some exporters are **re-labeling their product** as “natural” instead of “organic” to avoid the trouble, Post advises against this practice as it is simply confusing to Mainland China consumers. Retailers in large cities are cautious to place “organic items” on store shelves, while small residential specialty supermarkets are still selling these products. Post paid several visits to 2nd and 3rd tier cities in Mainland China to investigate the market situation for imported USDA organic products and uncovered that many more products were on sale than expected.

Conclusions: Natural food sales are growing at a brisk pace: In the past five years, ATO Guangzhou has been active in promoting U.S. natural food products to local retailers and regional distributors. Multiple activities, such as providing match-making and trade lead services, arranging one-on-one meetings, leading buyer missions to trade shows in the States, and launching in-store promotions with leading national retail supermarket chains all of which have helped facilitate said growth. Consumer demand for U.S. natural products is on the rise because consumers trust U.S. quality and even when high priced, are most likely to purchase over European or Australian counterparts. Two years ago, ATO Guangzhou’s Jusco supermarket promotion feature U.S. branded natural products such as Nature’s Path, Nature’s Valley, Organic Valley. The promotion included five 2nd and 3rd tier cities as yielded \$200,000 in sales.

A recent survey conducted by ATO Guangzhou indicates that high-end food and beverage retail consumers trust most U.S. natural food products and are willing to try new products. A retail manager in a leading chain estimated average annual sales in healthy and natural products to Guangdong Province could reach \$3 million in 2013. The most popular items available in the Mainland China market include: breakfast cereals, juices, dried fruit, nuts, and dairy products as well as natural food supplements.